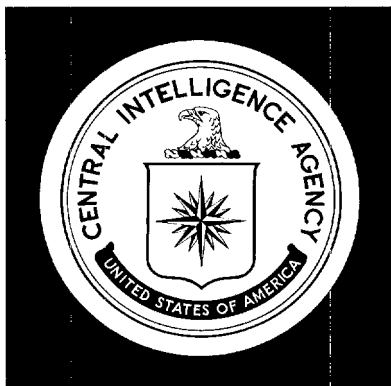


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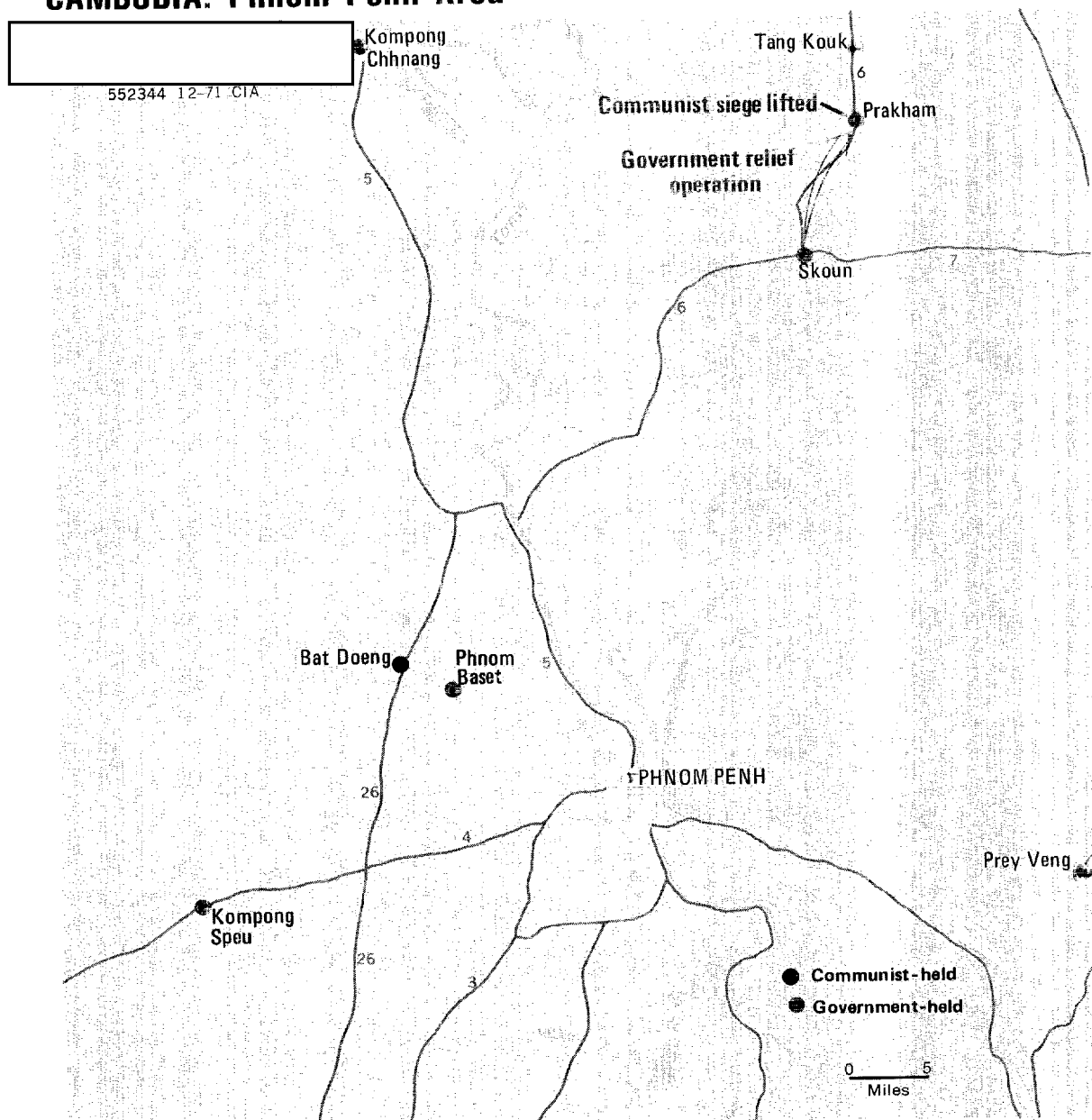
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CAMBODIA: Phnom Penh Area

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CAMBODIA: Government troops reportedly relieved beleaguered forces at Prakham yesterday.

Press reports indicate that elements of a 12-battalion Cambodian task force from Skoun, supported by heavy US air strikes, cleared Route 6 up to Prakham, which has been under heavy enemy pressure for over a week. Present plans reportedly call for government troops at Tang Kouk to push south toward Prakham. The plan suggests that the government is ready to abandon Tang Kouk, now the last major government position between Skoun and Kompong Thom town some 50 miles to the north. Bowing to criticism over his interference in earlier tactical operations along Route 6, Prime Minister Lon Nol has delegated control over the Prakham relief operation to the army's general staff.

The Communists are still exhorting their troops to achieve a total defeat of government forces on Route 6. A recent Khmer Communist propaganda broadcast specifically cited Skoun, Tang Kouk, and Kompong Thom as targets in a "third phase" of the enemy's current campaign.

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INDIA-PAKISTAN: The Indians are making some progress toward restoring order in Bangla Desh.

Shooting and mob action have lessened in Dacca and the Indians have arrested the Mukti Bahini officer responsible for the widely publicized, brutal executions on Saturday. Bangla Desh civil servants--presumably in conjunction with the Indian Army--have restored part of the rail transport system and, according to the press, Indian Airlines will soon begin operating domestic flights within Bangla Desh. The Bengalis have also begun to assess the food situation, and a planning cell has been established to work out a reconstruction program and a plan for rehabilitating the refugees. The senior civil servant in the government, however, estimated that it would be three or four weeks before he would be able to discuss specifics with UN officials.

According to an Indian Foreign Ministry official, India and Bangla Desh have already signed a treaty providing for Indian economic assistance, and India has established a pool of technical experts on which Bangla Desh can draw.

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While the Indians and the civil servants are working in Bangla Desh, the government remains in Calcutta. Bangla Desh President Mujibur Rahman--who might be able to give the government more vigorous direction--remains in Pakistan, although according to Pakistani President Bhutto he is to be released from prison to house arrest "soon."

In Pakistan, President Bhutto has not yet named his cabinet, but has announced the appointment of Nurul Amin as vice president and Aziz Ahmad as secretary general of the Foreign Ministry. Bhutto will serve as his own foreign minister. Amin, an East

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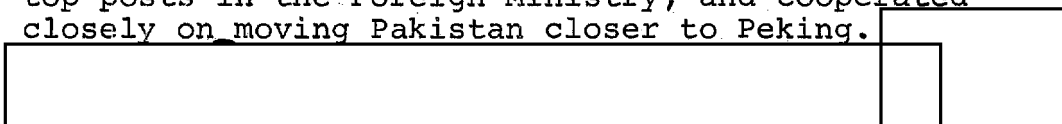
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[Pakistani loyal to Islamabad, had been Yahya's choice for prime minister, but is unlikely to have much influence in policies of the Bhutto government. His appointment was probably designed both to please conservative West Pakistanis and to keep alive the idea that East Pakistan is still part of the country.

Ahmad's appointment is apparently designed to shake up the Foreign Ministry, with which Bhutto has been dissatisfied. Ahmad and Bhutto worked together closely during the mid-1960s when they held the two top posts in the Foreign Ministry, and cooperated closely on moving Pakistan closer to Peking.

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ISRAEL-EGYPT: The Israelis are exhibiting increasing concern that Egypt may acquire the capability to hit Israeli cities with air-to-surface missiles carried by TU-16s.

In an address on 19 December, retiring Israeli Chief-of-Staff Bar-Lev said that if the Egyptians "attempted to hit any civilian targets in Israel, we can retaliate in such kind and in such force that they would quickly drop whatever plans they have."



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Despite the fact that the Israelis are probably confident of their ability to deal with any threat eventually posed by the TU-16s, they are known to be sensitive to any possibility of attacks on civilian targets. At least part of their reason for raising the subject, however, is to support their contention that continued Soviet aid to Egypt is altering the military balance in favor of the Arabs.

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USSR-EGYPT: The Soviet Foreign Ministry has "officially and categorically" denied that the Soviet ambassador in Cairo had pledged that the USSR would back the Arabs in a war to regain Israeli-occupied territory.

Ambassador Vinogradov reportedly had told a group of Egyptian journalists on 15 December that if the Egyptians must resort to war, the Soviets would "support you so that it will be a war with minimum losses." His remarks were carried in only two Egyptian newspapers, and received no mention at all by Soviet news media. The disavowal yesterday by a counselor of the Foreign Ministry's Near East Division, speaking on behalf of the "highest Soviet authorities," came several days after the US Embassy had requested an appointment. The counselor stressed that the alleged statement contradicted official Soviet policy, and that Vinogradov himself has assured Moscow that he had been "misquoted." In an unusual departure that indicates Moscow's sensitivity on the subject, the counselor volunteered that he had delayed the appointment with the US Embassy officer until he could check with Vinogradov and give an "official" reply.

The Soviet spokesman said that his government also wanted to assure the US that Soviet policy in the Middle East is firmly committed to a "political" settlement of the crisis. In order to make certain that the Egyptians do not misunderstand this commitment, he noted that Vinogradov would probably make a "quiet approach" to the Egyptian Foreign Ministry to clarify Moscow's views. Vinogradov would also instruct the Soviet press attaché in Cairo to voice Soviet displeasure over the incident and get the Egyptian press to drop the story.

Several days after Vinogradov's conversation with the Egyptian journalists, Egyptian Foreign Minister Riyad remarked publicly that the Soviets had

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not pledged to fight on behalf of the Arabs in order to liberate the occupied territories. Riyadh's remarks may have been in response to a Soviet demarche.

The Soviets have consistently cautioned Cairo on the consequences of renewed fighting and have stressed that Soviet forces would not aid the Egyptians if Cairo initiated hostilities. This is the message that Riyadh received in Moscow last summer, and it was repeated to Egyptian President Sadat when he was in the USSR in October.



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PERU-CUBA: The visit of Fidel Castro to Peru early this month has strengthened President Velasco's credentials with the Peruvian left.

The meeting between the two leaders was cordial; Castro assured Velasco that Cuba would not sponsor any insurgency in Peru and praised the Peruvian revolution. Although there has been some editorial criticism in Peru of the visit and reportedly some military criticism as well, even those who oppose Castro approve of the government's show of "independence" from the US.

President Velasco may now feel strong enough to crack down on Communist-led labor agitation, which has caused serious problems in the mines. In addition, the government next month may renew its initiative for a review by the OAS of its diplomatic and economic sanctions against Cuba--a move suspended last week. In any event, Peru probably will resume diplomatic relations with Cuba sometime next year and is likely to continue its commercial dealings with the Castro government.

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MALI: Grain shortages are generating heavy pressure on the ruling military committee.

A difficult situation seems to be building around the reluctance of Mali's farmers to sell their grain to the state monopoly at artificially low prices. Their preference for selling to private speculators or holding grain for sale later in the year at higher prices has contributed to a short supply in most urban areas. This, in turn, has produced high prices and considerable grumbling among civil servants and urban workers. Smuggling to neighboring countries plus a poor harvest also have contributed to the shortages. Twenty-five thousand tons of emergency food relief have been imported from the US since mid-year.

Alienation of a major segment of the populace seems certain no matter which way the government moves to solve the problem. To ensure adequate grain supplies in the cities farmers must either be persuaded to sell to the state monopoly or allowed to sell to the private sector for higher prices. President Traore has promised farmers he would not use forced grain levies. Such levies by the previous government contributed to its overthrow in 1968. Mali's leadership is also committed to curtailing the speculators and maintaining current official price levels, however. Civil servants and organized workers, already at odds with the government over other issues, have had no substantial pay raise since 1958 and can ill afford higher grain prices.

The alienation caused by this problem is not likely to lead directly to the ouster of the government, but it could cause increased frictions within the hard-pressed military committee over how to handle this and other mounting problems. It may also strengthen sentiment expressed [] by a few members of the committee, including President Traore, that the time had come to arrange a return to civilian rule. []

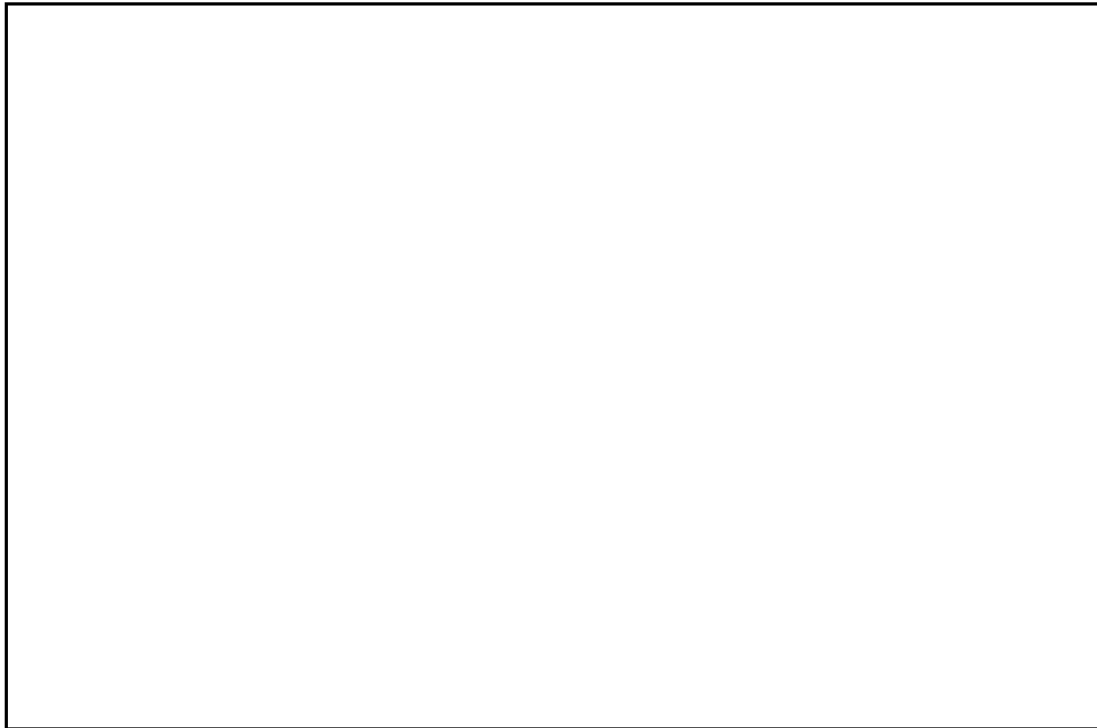
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INTERNATIONAL MONETARY DEVELOPMENTS: West Germany on Monday corrected its previously announced exchange parity of 3.223 marks to the dollar to 3.2225, changing the mark's appreciation in terms of gold from 4.6 to 4.4 percent. South Africa became the only country to devalue its currency by more than the US dollar by depreciating 12.28 percent relative to gold. This large depreciation will aid the South African gold industry, which is the source of three fourths of non-Communist gold production and is hard pressed by rising production costs. India revalued its rupee by approximately 5.5 percent in terms of gold, a change equivalent to about three percent relative to the US dollar. Venezuela revalued the bolivar, including the special rates for oil and iron purchases, by approximately two percent relative to the dollar. Four OECD countries--Austria, Australia, Portugal, and Spain--have still not set new exchange rates.

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MAURITIUS: Stern reaction by the government and lukewarm popular support have forced the leftist opposition party, Mauritian Militant Movement (MMM), to end the general strike among its supporting unions. The government used its emergency powers to recruit workers to replace strikers in essential services, to threaten some striking dock workers with possible deportation, and to ban MMM rallies. The strikers, faced with heavy year-end expenditures, were less willing than their leaders to prolong the strike, and much of the general public blamed the MMM for food shortages and high prices caused by the dock tie-up. The government is now contemplating additional reprisals designed to restrict MMM union activists. Tension is likely to persist because the MMM, despite miscalculating its ability to conduct a general strike, still has a broad popular following.

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SOUTH-WEST AFRICA: A strike of Ovambo mine workers, now in its second week, is growing in size and may be reaching into other sectors of the economy. The strikers' grievances center primarily on the outdated contract labor system, which they consider a form of slavery. Mine officials have been returning the strikers, who now number nearly 10,000, to their home areas and are seeking replacements from other tribal groups. Although immediately triggered by a labor grievance, the strike has roots in the general non-white political ferment in South-West Africa which has been slowly growing since the International Court of Justice decision in June that South Africa's presence in the territory is illegal. The South African Government is watching events closely and no doubt hopes to head off a showdown between the workers and management that could encourage non-white expectations and harsh international criticism.

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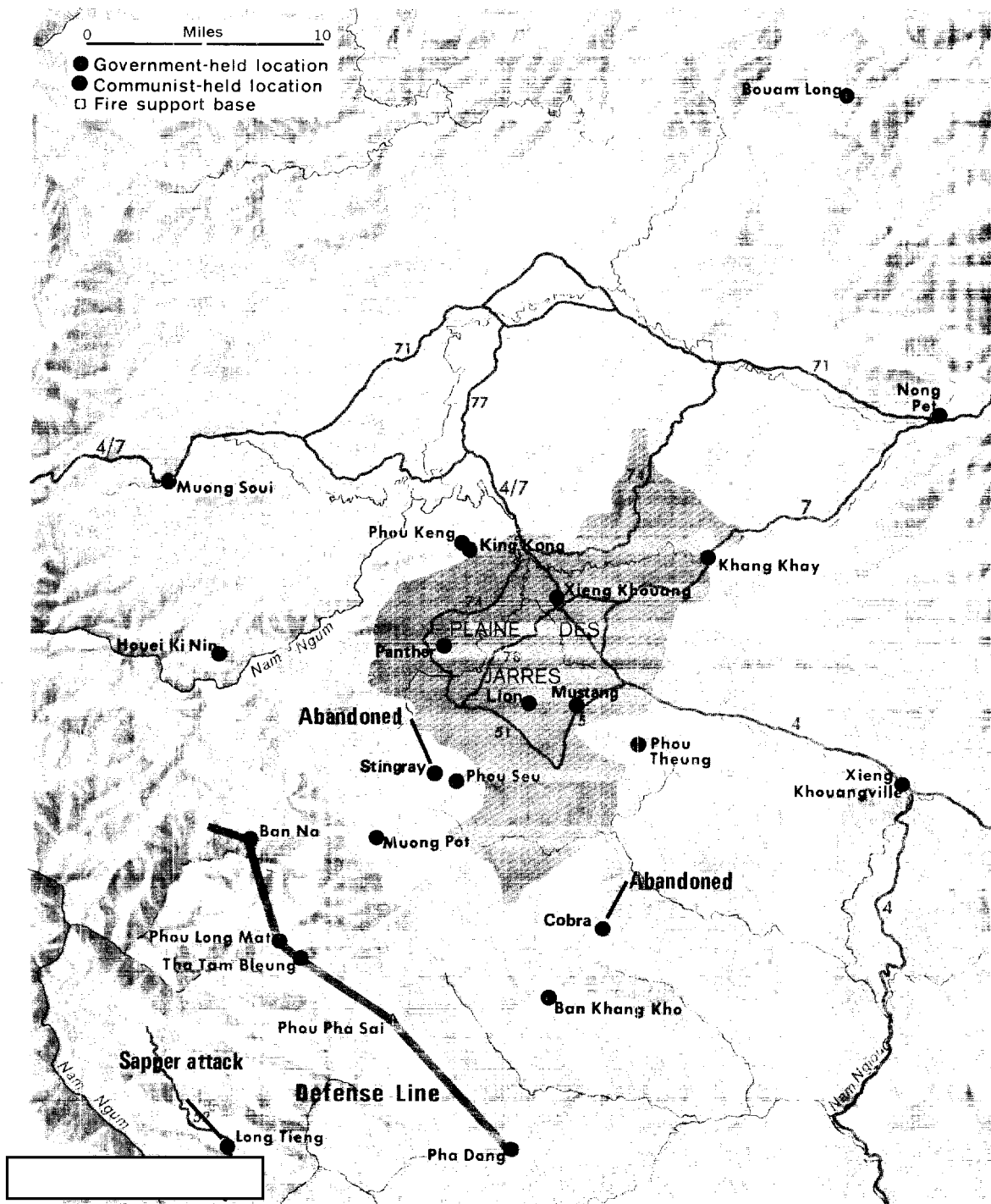
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LAOS: PLAINE DES JARRES AREA



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VENEZUELA-COLOMBIA: The visit of Venezuelan Foreign Minister Calvani to Colombia last week furthered the two governments' continuing efforts to play down their differences. A mixed commission was formed to study all aspects of Colombian-Venezuelan relations and agreement was reached to begin negotiations on 21 February on the disputed boundary in the Gulf of Venezuela. Other substantive discussions were postponed for subsequent meetings. The deliberate nurturing of official friendliness over the past several months has significantly improved relations between the two countries. [REDACTED]

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LAOS: There has been a respite in enemy ground activity in the Plaine des Jarres area. No information is available to indicate whether the North Vietnamese are continuing their push westward from the Plaine. The two remaining irregular fire support bases on the Plaine--Stingray and Cobra--were abandoned on 20 December. On the night of 20-21 December sappers struck the government base at Long Tieng, damaging four forward air controller aircraft and wounding a number of Meo civilians. Some Meo have already begun leaving the valley, increasing the likelihood that at least some of the Meo irregulars may withdraw with them. [REDACTED]

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